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Financial Report

The Lighthouse For The Blind In New Orleans, Inc. d/b/a Lighthouse Louisiana

December 31, 2012

Bourgeois Bennett
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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The Lighthouse For The Blind in New Orleans, Inc.
d/b/a Lighthouse Louisiana
New Orleans, Louisiana

December 31, 2012 and 2011

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
The Lighthouse For The Blind in New Orleans, Inc
d/b/a Lighthouse Louisiana,
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of The Lighthouse For The Blind in New Orleans, Inc d/b/a Lighthouse Louisiana (a non-profit organization) which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year comparative information has been derived from the 2011 financial statements, and in our report dated April 5, 2012, we expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to The Lighthouse For The Blind in New Orleans, Inc 's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis or our audit opinion

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lighthouse For The Blind in New Orleans, Inc as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report, dated April 1, 2013 on our consideration of the Organization's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Organization as of and for the year ended December 31, 2012, and have issued our report thereon dated April 1, 2013, which contained an unmodified opinion on those financial statements Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respected in relation to the financial statements as a whole.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
April 1, 2013

STATEMENT OF FINANCIAL POSITION

The Lighthouse For The Blind in New Orleans, Inc.
d/b/a Lighthouse Louisiana

New Orleans, Louisiana

December 31, 2012

(With comparative totals for 2011)

	2012	2011
Assets		
Cash and cash equivalents	$ 3,435,891	$ 3,682,730
Accounts receivable, net	629,451	492,573
Other receivables	32,861	1,523
Grants receivable	1,018,385	2,235,782
Inventory	3,352,580	3,955,067
Prepaid expenses	143,324	128,158
Investments	2,169,312	1,864,209
Property and equipment, net of accumulated depreciation	14,193,222	12,683,748
Other assets, net	18,887	22,321
Security deposits	-	132,303
Total assets	$ 24,993,913	$ 25,198,414
Liabilities		
Accounts payable	$ 974,599	$ 1,899,251
Accrued expenses	811,559	708,304
Payroll and sales tax payable	67,724	74,492
Notes payable	1,447,670	1,770,675
Total liabilities	3,301,552	4,452,722
Net Assets		
Unrestricted		
Board designated	1,949,778	1,659,326
Undesignated	19,579,217	18,937,491
Total unrestricted net assets	21,528,995	20,596,817
Temporarily restricted	163,366	148,875
Total net assets	21,692,361	20,745,692
Total liabilities and net assets	$ 24,993,913	$ 25,198,414

See notes to financial statements.

STATEMENT OF ACTIVITIES

The Lighthouse For The Blind in New Orleans, Inc.
d/b/a Lighthouse Louisiana
New Orleans, Louisiana

For the year ended December 31, 2012

(With comparative totals for 2011)

	Unrestricted	Temporarily Restricted	2012 Totals	2011 Totals
Revenues				
Operating revenue	$ 22,199,105	$ -	$ 22,199,105	$ 32,925,812
Less cost of finished goods sold	13,823,912	-	13,823,912	22,884,281
Sales, net	8,375,193	-	8,375,193	10,041,531
Grants	1,548,712	-	1,548,712	2,882,519
State of Louisiana Budget Appropriation	487,150	-	487,150	520,311
Contributions	296,083	5,299	301,382	370,426
Investment income	203,983	19,595	223,578	1,078
Royalty income	19,591	-	19,591	18,394
Rental income	12,804	-	12,804	12,804
Auxiliary	5,472	-	5,472	6,290
Other	2,546	-	2,546	16,309
Capital Fund Drive	-	-	-	120,035
Total support and revenues	10,951,534	24,894	10,976,428	13,989,697
Net Assets Released From Restrictions				
Expiration of time restrictions and program restrictions satisfied through payments	10,403	(10,403)	-	-
Total revenues, support and net assets released from restrictions	10,961,937	14,491	10,976,428	13,989,697
Expenses				
Program services	7,599,378	-	7,599,378	7,669,003
General and administrative	2,283,871	-	2,283,871	1,984,933
Fundraising	146,510	-	146,510	163,032
Total expenses	10,029,759	-	10,029,759	9,816,968
Change in Net Assets	932,178	14,491	946,669	4,172,729
Net Assets				
Beginning of year	20,596,817	148,875	20,745,692	16,572,963
End of year	$ 21,528,995	$ 163,366	$ 21,692,361	$ 20,745,692

See notes to financial statements

STATEMENT OF FUNCTIONAL EXPENSES

The Lighthouse For The Blind in New Orleans, Inc.
d/b/a Lighthouse Louisiana
New Orleans, Louisiana

For the year ended December 31, 2012

(With comparative totals for 2011)

	Program Services	General and Administrative	Fund Raising	2012 Totals	2011 Totals
Advertising and promotion	$ 78,326	$ 20,897	$ 6,007	$ 105,230	$ 87,513
Bad debt expense (recoveries)	-	1,956	-	1,956	(29,872)
Bank fees	57	32,370	-	32,427	25,800
Building and land rent	65,550	4,800	-	70,350	67,842
Commissions	668,445	173	-	668,618	1,047,085
Computer services	17,511	98,176	616	116,303	72,971
Copier maintenance	7,042	11,731	102	18,875	16,421
Depreciation and amortization	649,367	233,180	393	882,940	555,142
Dues and subscriptions	457	1,494	5,972	7,923	17,473
Equipment rental	3,723	(2,473)	870	2,120	5,724
Food and entertainment	12,156	12,952	64	25,172	38,429
Freight	513,751	-	-	513,751	455,768
General insurance	151,945	37,587	277	189,809	177,483
Insurance-employees	278,938	42,089	8,574	329,601	325,762
Interest	-	36,810	-	36,810	45,444
Legal, auditing and consulting	5,035	106,687	-	111,722	133,180
Low vision devices for clients	23,922	-	-	23,922	62,992
Miscellaneous	22,533	69,477	5,069	97,079	67,945
Payroll taxes	349,404	82,411	6,951	438,766	442,528
Postage	2,762	7,045	2,777	12,584	12,401
Repairs - building	34,369	(4,817)	-	29,552	50,626
Repairs - equipment	24,290	-	-	24,290	34,613
Retirement plan contributions	108,111	49,984	1,235	159,330	143,356
Salaries and labor	3,851,814	1,241,683	99,230	5,192,727	4,943,938
Staff training and recruiting	9,643	18,959	(495)	28,107	23,366
Stationery and supplies	281,384	68,907	6,511	356,802	423,770
Telephone	44,123	24,216	617	68,956	59,387
Trash disposal	31,164	8,391	903	40,458	41,256
Travel	128,796	34,049	811	163,656	174,828
Utilities	211,524	45,036	26	256,586	263,225
Vehicle operation and repair	23,236	101	-	23,337	30,572
	$ 7,599,378	$ 2,283,871	$ 146,510	$ 10,029,759	$ 9,816,968

Exhibit D

STATEMENT OF CASH FLOWS

The Lighthouse For The Blind in New Orleans, Inc.
d/b/a Lighthouse Louisiana
New Orleans, Louisiana

For the year ended December 31, 2012

(With comparative totals for 2011)

	2012	2011
Cash Flows From Operating Activities:		
Change in net assets	$ 946,669	$ 4,172,729
Adjustments to reconcile change in net assets to net cash provided by operating activities.		
Bad debt expense (recoveries)	1,956	(29,872)
Depreciation	879,506	551,708
Amortization of loan costs	3,434	3,434
Amortization of bond discount	1,887	1,844
Realized (gain) loss on investments	(47,825)	3,789
Unrealized (gain) loss on investments	(123,268)	42,443
Write off of obsolete inventory	9,406	8,200
Gain on disposal of property and equipment	-	(4,943)
Forgiveness of debt	(50,000)	(50,000)
Decrease (increase) in assets:		
Accounts receivable	(138,834)	698,845
Other receivables	(31,338)	1,679
Grants receivable	1,217,397	(1,935,270)
Inventory	593,081	(107,589)
Prepaid expenses	(15,166)	(7,732)
Security deposits	-	(132,303)
Increase (decrease) in liabilities:		
Accounts payable	(1,018,412)	(977,931)
Accrued expenses	(32,271)	60,575
Payroll and sales taxes payable	(6,768)	13,374
Total adjustments	1,242,785	(1,859,749)
Net cash provided by operating activities	2,189,454	2,312,980

Exhibit D
(Continued)

	2012	2011
Cash Flows From Investing Activities:		
Purchases of property and equipment	(2,027,391)	(3,274,888)
Proceeds from sale of property and equipment	-	7,900
Proceeds from sale of investments	304,425	471,367
Purchases of investments	(440,322)	(276,462)
Net cash used in investing activities	(2,163,288)	(3,072,083)
Cash Flows From Financing Activities:		
Proceeds of note payable	-	1,500,000
Payments of note payable	(142,857)	(95,238)
Payments on note payable - bank	(130,148)	(123,552)
Net cash provided by (used in) financing activities	(273,005)	1,281,210
Net Increase (Decrease) in Cash and Cash Equivalents	(246,839)	522,107
Cash and Cash Equivalents		
Beginning of year	3,682,730	3,160,623
End of year	$ 3,435,891	$ 3,682,730

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

The Lighthouse For The Blind in New Orleans, Inc.
d/b/a Lighthouse Louisiana
New Orleans, Louisiana

December 31, 2012 and 2011

Note 1 - NATURE OF ACTIVITIES

The Lighthouse For The Blind in New Orleans, Inc. (the "Organization") is a non-profit organization dedicated to promoting independence for people who are blind and visually impaired by providing programs that focus on economic opportunity and self reliance. In addition to a core, modern manufacturing operation that employs people with vision impairments, the Organization offers a range of independent living, competitive employment and health related services. The Organization is headquartered in New Orleans and has additional operations in Baton Rouge, Gulfport and Crystal Springs, Mississippi

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Income Taxes

The Organization is a non-profit corporation organized under the laws of the State of Louisiana It is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax under the authority of R.S. 47:121(5).

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained on examination. The Organization is no longer subject to tax examinations by taxing authorities for years ended before 2009. As of December 31, 2012 and 2011, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

b. Basis of Accounting

The Organization recognizes revenue and records expenses on the accrual basis of accounting. Under this method, revenue is recognized when earned, and expenses are recorded when the liability is incurred.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows·

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor - imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. The Organization does not have any permanently restricted net assets as of December 31, 2012 and 2011.

d. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

e. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less and investments in money market accounts to be cash equivalents, except for money market funds maintained in investment brokerage accounts which are reported as investments.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Revenue Recognition

Revenue is recognized upon shipment of the product or completion of the service.

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by a donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

g. Allowance for Doubtful Accounts

The allowance for doubtful accounts is estimated based on the Organization's historical losses, the existing economic conditions, and the financial stability of its customers. Management closely monitors outstanding accounts receivable and charges off to expense any balances that are determined to be uncollectible and establishes and allowance for estimated uncollectible accounts receivable. The allowance for doubtful accounts as of December 31, 2012 and 2011 was $33,129 and $30,144, respectively.

h. Security Deposits

During 2011 and 2010, the Organization entered into a contract with a third-party vendor to supply equipment for its ongoing operations. A significant deposit was required by the vendor to ensure the completion of the assembly of the equipment and ensure appropriate delivery. During 2012 and 2011, the equipment was received by the Organization and $132,303 and $1,060,135, respectively, of the security deposit was reclassed to property and equipment in 2012 and 2011. As of December 31, 2012, there was no outstanding required security deposit As of December 31, 2011 the security deposit totaled $132,303.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Property and Equipment

Property and equipment is stated at cost. The Organization capitalizes all costs with an estimated useful life greater than one year and an original cost of at least $1,000. Expenditures for maintenance, repairs, and minor renewals are charged against earnings as incurred. Major expenditures for renewals and betterments are capitalized.

Depreciation is provided principally on the straight-line method, over the following estimated useful lives:

Building and improvements	10 - 50 years
Furniture and equipment	5 - 10 years
Machinery and equipment	5 - 20 years
Vehicles	5 years
Computer equipment	3 - 5 years

j. Investments

Investments in common stocks and bonds are stated at fair value, based on quoted market prices for the investments. Realized and unrealized gains and losses are included in investment income in the accompanying Statement of Activities. Investments in pooled investment accounts are stated at fair value, including any pro-rata gains and losses. Purchased real estate is carried at cost which approximates the market value and donated real estate held for investment is recorded at fair value on the date of donation.

k. Allocated Expenses

The costs of providing the various programs and other activities are summarized in the Statement of Functional Expenses. Certain expenses have been allocated among the programs and support services based on management's estimates of the costs involved

l. Donated Services of Volunteers

A substantial number of volunteers have donated significant amounts of their time in the conduct of the Organization's program services. However, no amounts have been included in the financial statements for donated services since no objective basis is available to measure the value of such services.

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Exhibit E
(Continued)

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Advertising

The Organization expenses advertising costs as they are incurred. Advertising costs totaled $105,230 and $87,513 for the years ended December 31, 2012 and 2011, respectively.

n. Subsequent Events

Management evaluates events subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through April 1, 2013, which is the date the financial statements were available to be issued.

o. Reclassifications

Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 presentation

During the year ended December 31, 2012, pooled investment accounts were determined to be Level 2 investments, rather than Level 1 investments based upon information received from the investment custodian Accordingly, reclassifications were made to the December 31, 2011 balances to conform to the current year presentation.

Note 3 - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalents accounts at several financial institutions where they are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per bank as of December 31, 2012. As of December 31, 2012, the Organization had approximately $660,000 in uninsured cash balances.

Note 4 - DESIGNATED NET ASSETS

The Organization's Board of Directors approved the dedication of certain unrestricted net assets solely for the purpose of expenditures attributable to the long- term preservation of the sites of The Lighthouse For The Blind in New Orleans, Inc., the maintenance and development of the existing buildings, the acquisition of equipment and real property, and to support special need programs and grants. These funds, maintained in investment accounts, have a balance of $1,949,778 and $1,659,326 as of December 31, 2012 and 2011, respectively.

Note 5 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are restricted by donors for specific purposes or designated for subsequent periods. Restrictions are considered to expire when payment for the designated purpose is made

Temporarily restricted net assets as of December 31, 2012 and 2011 are as follows:

	2012	2011
Ivy Brown Fund	$ 69,962	$ 65,601
Enrichment of the Blind Fund	62,347	51,982
Music Fund	25,496	23,402
Auxiliary Fund	5,561	7,890
Totals	$ 163,366	$ 148,875

Mrs Ivy Brown willed part of her estate to the Organization. The will stated that the bequest will be kept in trust by the Greater New Orleans Foundation, a pooled investment account.

The Enrichment of the Blind Fund was restricted for use only for the enhancement and improvement in the lives of blind persons involved within the Organization.

The Music Fund grant was received during 2011 in memory of a benefactor and was restricted for use in programs promoting the learning and enjoyment of music by sight impaired persons.

The Lighthouse For The Blind in New Orleans, Inc 's Auxiliary maintains its cash account in the Organization.

Note 6 - INVENTORY

Inventory of raw materials and the retail store inventories are valued at the lower of cost using the first-in, first-out method or market. Finished goods are valued at the weighted moving average costs developed for the individual items on the basis of current material and burden rates at the completion of production. The burden is an estimate of the direct labor on overhead cost related to a completed product.

Note 6 - INVENTORY (Continued)

Details of inventory are as follows·

	2012	2011
Finished goods	$ 1,534,506	$ 1,776,563
Raw materials	1,827,480	2,186,704
Allowance for obsolete inventory	(9,406)	(8,200)
Total	$ 3,352,580	$ 3,955,067

Note 7 - INVESTMENTS

The Organization's investments as of December 31, 2012 and 2011 are summarized below.

	2012		
	Cost	Market	Unrealized Gains / (Losses)
Common stocks	$ 673,635	$ 1,054,503	$ 380,868
Pooled investment account	71,150	69,962	(1,188)
Bonds	470,658	475,202	4,544
Mutual funds	25,495	25,518	23
Equity traded funds	322,794	352,155	29,361
Money market account	129,011	129,011	-
	1,692,743	2,106,351	413,608
Other real estate	62,961	62,961	-
Totals	$ 1,755,704	$ 2,169,312	$ 413,608

Note 7 - INVESTMENTS (Continued)

	2011		
	Cost	Market	Unrealized Gains / (Losses)
Common stocks	$ 747,886	$ 1,029,918	$ 282,032
Pooled investment account	63,635	65,601	1,966
Bonds	404,562	412,328	7,766
Mutual funds	25,438	23,402	(2,036)
Equity traded funds	140,549	141,161	612
Money market account	128,838	128,838	-
	1,510,908	1,801,248	290,340
Other real estate	62,961	62,961	-
Totals	$ 1,573,869	$ 1,864,209	$ 290,340

	Cost	Market Value	Excess of Market Value Over Cost
Balances as of December 31, 2012	$ 1,755,704	$ 2,169,312	$ 413,608
Balances as of December 31, 2011	$ 1,573,869	$ 1,864,209	290,340
Increase in unrealized appreciation			$ 123,268

	Cost	Market Value	Excess of Market Value Over Cost
Balances as of December 31, 2011	$ 1,573,869	$ 1,864,209	$ 290,340
Balances as of December 31, 2010	$ 1,773,218	$ 2,106,001	332,783
Decrease in unrealized appreciation			$ (42,443)

Note 7 - INVESTMENTS (Continued)

Investment return for the years ended December 31, 2012 and 2011 is summarized as follows:

	2012	2011
Interest and dividend income, net	$ 52,485	$ 47,310
Net realized and unrealized gains (losses)	171,093	(46,232)
Total investment income	$ 223,578	$ 1,078

Expenses relating to investment revenues, including custodial fees and investment advisory fees, amounting to $8,359 and $8,326, as of December 31, 2012 and 2011, respectively, have been netted against investment revenues in the accompanying Statement of Activities.

Note 8 - FAIR VALUE MEASUREMENTS

Fair value concepts are applied in recording investments. A fair value hierarchy which has three levels based on the reliability of the inputs is used to determine fair value. These levels include. Level 1, unadjusted quoted prices in active markets for identical assets and liabilities; Level 2, directly or indirectly observable inputs other than quoted prices for the asset or liability, such as quoted market prices for similar assets or liabilities; and Level 3, unobservable inputs for use when little or no market data exists, therefore requiring an entity to develop its own assumptions.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization uses the market approach for valuing mutual funds, corporate and municipal bond obligations, common stocks, money market funds, pooled investment account and equity traded funds which are within Level 1 of the fair value hierarchy.

Note 8 - FAIR VALUE MEASUREMENTS (Continued)

The investment pool is included in Level 2 of the fair value hierarchy as the investment pool is valued using the net asset value as reported by the custodian. The net asset values are determined based on the fair values of the underlying investments. The custodian of this portfolio uses independent pricing services, where available, to value the securities included in this portfolio. If an independent pricing service does not value a security or the value is not, in the view of the custodian, representative of the market value, the custodian will attempt to obtain a price quote form a secondary pricing source, which may include third party brokers, investment advisors, and the principal market makers or affiliated pricing services. If a secondary source is unable to provide a price, the custodian may obtain a quotation from the counterparty that sold the security.

The Organization has reported its investment in certain real estate holdings as Level 3 fair value assets. These assets are valued at their fair value at the date of donation or historical cost, if purchased, which approximates their estimated appraised values.

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date

Note 8 - FAIR VALUE MEASUREMENTS (Continued)

Assets measured at fair value on a recurring base as of December 31, 2012 and 2011 are comprised of and determined as follows:

		2012		
			Based on	
Description	Total Assets Measured At Fair Value	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments:				
Common stocks				
Basic materials	$ 22,630	$ 22,630		
Consumer products	150,099	150,099		
Consumer discretionary	94,273	94,273		
Energy	161,398	161,398		
Financial	132,823	132,823		
Healthcare	145,433	145,433		
Industrial products	131,441	131,441		
Information technology	159,805	159,805		
Telecommunications	25,962	25,962		
Services	30,639	30,639		
Total common stocks	1,054,503	1,054,503		
Pooled investment account	69,962	-	$ 69,962	
Bonds				
A+/A	116,272	116,272		
A-	52,105	52,105		
AA+/AA	101,425	101,425		
BBB+/BBB	205,400	205,400		
Total bonds	475,202	475,202		
Mutual Funds				
Blended	25,518	25,518		
Equity traded funds	352,155	352,155		
Money market accounts	129,011	129,011		
Other real estate	62,961	-	-	$ 62,961
Total investments	$ 2,169,312	$ 2,036,389	$ 69,962	$ 62,961

Note 8 - FAIR VALUE MEASUREMENTS (Continued)

		2011		
		Based on		
Description	Total Assets Measured At Fair Value	Quoted Prices In Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investments:				
Common stocks				
Basic materials	$ 53,991	$ 53,991		
Consumer products	220,559	220,559		
Energy	128,091	128,091		
Financial	136,748	136,748		
Healthcare	128,824	128,824		
Industrial products	121,045	121,045		
Information technology	189,638	189,638		
Telecommunications	24,072	24,072		
Services	26,950	26,950		
Total common stocks	1,029,918	1,029,918		
Pooled investment account	65,601		$ 65,601	
Bonds				
A+/A	105,970	105,970		
A-	103,663	103,663		
AA+/AA	50,055	50,055		
BBB+/BBB	152,640	152,640		
Total bonds	412,328	412,328		
Mutual Funds				
Blended	23,402	23,402		
Equity traded funds	141,161	141,161		
Money market accounts	128,838	128,838		
Other real estate	62,961			$ 62,961
Total investments	$ 1,864,209	$ 1,735,647	$ 65,601	$ 62,961

As of December 31, 2012 and 2011, there were no assets measured at fair value on a non-recurring basis. For the years ended December 31, 2012 and 2011, there were no changes in fair value of the Organization's Level 3 assets.

Note 9 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2012 and 2011 is as follows:

	2012	2011
Land	$ 639,948	$ 430,850
Construction in progress	2,042,595	2,429,906
Buildings and improvements	8,227,246	8,225,958
Machinery and equipment	7,811,951	5,367,939
Computer equipment	779,637	705,507
Furniture and equipment	361,280	314,423
Vehicles	161,092	161,092
	20,023,749	17,635,675
Less accumulated depreciation	(5,830,527)	(4,951,927)
Totals	$ 14,193,222	$ 12,683,748

Depreciation expense for the years ended December 31, 2012 and 2011 was $879,506 and $551,708, respectively.

Note 10 - OTHER ASSETS

Costs incurred in connection with obtaining financing have been capitalized and are being amortized using the straight-line method over the life of the respective financing arrangement. The Organization's other assets consisted of the following as of December 31, 2012 and 2011:

	2012	2011
Deferred loan costs		
Costs	$ 34,340	$ 34,340
Accumulated amortization	(15,453)	(12,019)
	$ 18,887	$ 22,321

Amortization expense for both the years ended December 31, 2012 and 2011 was $3,434. Amortization for each of the years 2013 - 2017 will be $3,434 and $1,717 in 2018.

Note 11 - LINE OF CREDIT

The Organization entered into a line of credit with a local bank on June 21, 2011 with a borrowing limit of $900,000, secured with investments maintained by the Organization The interest rate is the Wall Street Journal Prime borrowing rate (3.25% as of December 31, 2012 and 2011). This line of credit had no outstanding borrowings as of December 31, 2012 and 2011. This line of credit matured on June 10, 2012 The line of credit was renewed January 11, 2013 with a borrowing limit of $1,800,000 and the same interest terms. The line of credit matures on January 11, 2014.

Note 12 - NOTES PAYABLE

The Organization has a note payable to a local finance institution secured by machinery and equipment. The $1,160,000 note dated October 4, 2008 has a final payment scheduled for December 2014. The note is payable in equal monthly installments of $12,349, including interest at 5.08%. The balance of the note as of December 31, 2012 and 2011 was $285,765 and $415,913, respectively.

The Organization has a note payable to the City of Baton Rouge/Parish of East Baton Rouge in the amount of $1,000,000. The note, dated April 14, 2011, matures April 2018 The note is payable in equal monthly installments of $11,905 Interest is accrued at 2.185% and is forgiven annually if the Organization is compliant with the terms set forth in the Cooperative Endeavor Agreement entered into between the Organization and the City of Baton Rouge / Parish of East Baton Rouge. The note is secured with land and buildings of the Organization. The balance of the note as of December 31, 2012 and 2011 was $761,905 and $904,762, respectively

The Organization also has a second note payable to the City of Baton Rouge/Parish of East Baton Rouge in the amount of $500,000. The note, dated April 14, 2011, has an interest rate equal to the Municipal Swap Index rate determined each Wednesday plus one hundred basis points per annum (1 13% and 1.10% as of December 31, 2012 and 2011, respectively). The note is subject to forgiveness based on the terms and conditions contained in the Cooperative Endeavor Agreement entered into between the Organization and the City of Baton Rouge/Parish of East Baton Rouge. For each year in which the Organization satisfies its obligations under the Cooperative Endeavor Agreement, a performance credit of $50,000 plus applicable interest shall be applied on the corresponding installment date of December 31st. The forgiveness of the debt and interest is recorded as grant revenue on the Statement of Activities The note is secured with land and buildings of the Organization. The Organization satisfied its obligations under the Cooperative Endeavor Agreement for 2012 and 2011. The balance of the note as of December 31, 2012 and 2011 was $400,000 and $450,000, respectively .

Note 12 - NOTES PAYABLE (Continued)

The future payments (excluding the anticipated annual $50,000 forgiveness of debt on the $500,000 note payable) on notes payable are summarized as follows.

Year Ending December 31,	
2013	$ 279,685
2014	291,794
2015	142,857
2016	142,857
2017	142,857
Thereafter	47,620
Total	$ 1,047,670

Note 13 - LEASE COMMITMENT

The Organization leases land used as a parking lot from the City of New Orleans under a lease agreement which expires in 2030 with payments of $4,800 per year. This lease is automatically extended for two additional terms of 15 years each unless the lessee gives notice of its intent not to renew at least 30 days prior to the expiration of the current lease. Lease expense for both the years ended December 31, 2012 and 2011 was $4,800.

The Organization leases a building in Mississippi with monthly lease payments of $5,080 through October 31, 2011 and $2,781 through October 31, 2014. The lease agreement expires on October 31, 2014. Lease expense for the years ended December 31, 2012 and 2011 was $65,550 and $63,042, respectively.

Future lease commitments are as follows:

Year Ending December 31,	Amounts
2013	$ 38,175
2014	32,613
2015	4,800
2016	4,800
2017	4,800
Thereafter	61,200
Total	$ 146,388

Note 14 - MAJOR CUSTOMER

The Organization has a concentration of credit risk as a result of sales to its significant customer. Approximate sales from this customer as a percentage of total operating revenue for the years ended December 31, 2012 and 2011 are as follows:

	2012	2011
Approximate sales	$ 11,593,760	$ 21,866,100
Percentage of operating revenue	52%	66%

Approximate accounts receivable balances as a percentage of total accounts receivable for the Organization's major customer as of December 31, 2012 and 2011 are as follows:

	2012	2011
Approximate accounts receivable	$ 52,600	$ 77,600
Percentage of total accounts receivable	8%	16%

Note 15 - RENTAL INCOME

The Organization entered into a rental income agreement with a communications company to rent space utilized by the company's telecommunication equipment. The lease was renewed effective May 28, 2009 for a 5-year term with monthly rental payments of $827. Rental income from this lease was $9,922 for both the years ended December 31, 2012 and 2011.

The Organization received rental income with regards to real estate property received in 2008 as a part of a succession. The Organization's attachment to the lease began in December 2008. The original lease expires on October 31, 2014 with four options to renew for additional five year periods Monthly rental payments were $240 and rental income from this lease was $2,882 for both the years ended December 31, 2012 and 2011.

Note 15 - RENTAL INCOME (Continued)

Future rental income to be received under these agreements is as follows:

Year Ending December 31,	
2013	$ 12,804
2014	6,536
Total	$ 19,340

Note 16 - EMPLOYEE BENEFIT PLAN

The Organization sponsors a profit-sharing 403(b) plan, which covers substantially all employees. The plan allows the Organization to make discretionary contributions by matching a percentage of employee contributions limited by Federal tax law. Total employee matching expense for the years ended December 31, 2012 and 2011 was $159,330 and $143,356, respectively.

Note 17 - RISK AND UNCERTAINTIES

In general, investment securities are exposed to various risks, such as interest rate, currency, credit, and market volatility. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in risk in the near term would materially affect the fair market value of investments held by the Organization.

Note 18 - SUPPLEMENTAL CASH FLOW INFORMATION

The following summarizes the non-cash investing and financing transactions of the Organization:

	2012	2011
Cash paid for interest	$ 18,253	$ 24,861
Accounts payable for property and equipment purchases	$ 93,760	$ 1,189,227
Accrued expenses for property and equipment purchases	$ 135,526	$ -
Security deposits reclassed to property and equipment	$ 132,303	$ 1,060,135

SPECIAL REPORTS BY CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors,
The Lighthouse For The Blind in New Orleans, Inc.
d/b/a Lighthouse Louisiana,
New Orleans, Louisiana.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of The Lighthouse For The Blind in New Orleans, Inc. d/b/a Lighthouse Louisiana (the "Organization"), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was no designed to identify all deficiencies in internal control that might be a material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
April 1, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors,
The Lighthouse For The Blind in New Orleans, Inc.
d/b/a Lighthouse Louisiana,
New Orleans, Louisiana.

Report on Compliance for Each Major Federal Program

We have audited The Lighthouse For The Blind in New Orleans, Inc. d/b/a Lighthouse Louisiana's (the "Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Organization's major federal program for the year ended December 31, 2012. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing are based on the requirements of OMB Circular A-133. Accordıng, this report is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana, and federal awarding agencıes and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statue 24:513, this report is dıstributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
April 1, 2013.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Lighthouse For The Blind in New Orleans, Inc.
d/b/a Lighthouse Louisiana
New Orleans, Louisiana

For the year ended December 31, 2012

Federal Grantor/Program Title	Federal CFDA Number	Federal Expenditures
United States Department of Education:		
Pass-Through Program From:		
The State of Louisiana		
Rehabilitation Services		
Vocational Rehabilitation Grants to States:	84.126A	$ 1,187,196
Independent Living Services for Older Individuals Who are Blind:	84 177	187,277
Total expenditures of federal awards		$ 1,374,473

See notes to Schedule of Expenditures of Federal Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Lighthouse For The Blind in New Orleans, Inc.
d/b/a Lighthouse Louisiana
New Orleans, Louisiana

For the year ended December 31, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of The Lighthouse For The Blind in New Orleans, Inc (the "Organization") and is presented on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Organization has met the cost reimbursement of funding qualifications for the respective grant. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations

b. Payments to Subrecipients

There were no payments to subrecipients for the year ended December 31, 2012.

Note 2 - FINDINGS OF NONCOMPLIANCE

There are no findings of noncompliance disclosed in the accompanying schedule of findings and questioned costs.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

The Lighthouse For The Blind in New Orleans, Inc.
d/b/a Lighthouse Louisiana
New Orleans, Louisiana

For the year ended December 31, 2012

Section I - Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued. unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency (ies) identified ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

b) Federal Awards

Internal control over major program:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency (ies) identified ___ yes X none reported

Type of auditor's report issued on compliance for major programs: unqualified

- Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 ___ yes X no

c) Identification of Major Programs:

CFDA Number	Name of Federal Program
84.126A	U.S. Department of Education - The State of Louisiana, Rehabilitation Services - Vocational Rehabilitation Grants to States

(Continued)

Section I - Summary of Auditor's Report (Continued)

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as a low-risk auditee?	___ yes _X_ no

Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

There were no findings noted during the audit for the year ended December 31, 2012 related to internal control over financial reporting.

Compliance and Other Matters

There were no findings noted during the audit for the year ended December 31, 2012 related to compliance and other matters.

Section III - Internal Control and Compliance Material to Federal Awards

Internal Control/Compliance

There were no findings noted during the audit for the year ended December 31, 2012 related to internal control and compliance material to federal awards.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

The Lighthouse For The Blind in New Orleans, Inc.
d/b/a Lighthouse Louisiana
New Orleans, Louisiana

For the year ended December 31, 2012

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

No material weaknesses were noted during the audit of the financial statements for the year ended December 31, 2011.

No significant deficiencies were noted during the audit of the financial statements for the year ended December 31, 2011.

Compliance and Other Matters

No compliance findings material to the financial statements were noted during the audit of the financial statements for the year ended December 31, 2011.

Section II - Internal Control and Compliance Material to Federal Awards

No findings or questioned costs were reported during the audit of the financial statements for the year ended December 31, 2011.

Section III - Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended December 31, 2011.

MANAGEMENT'S CORRECTIVE ACTION PLAN ON CURRENT YEAR FINDINGS

The Lighthouse For The Blind in New Orleans, Inc.
d/b/a Lighthouse Louisiana
New Orleans, Louisiana

For the year ended December 31, 2012

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

There were no findings noted during the audit for the year ended December 31, 2012 related to internal control over financial reporting.

Compliance and Other Matters

There were no findings noted during the audit for the year ended December 31, 2012 related to compliance and other matters.

Section II - Internal Control And Compliance Material to Federal Awards

There were no findings noted during the audit for the year ended December 31, 2012 related to internal control and compliance material to federal awards.

Section III - Management Letter

A management letter was not issued in connection with the audit of the financial statements for the year ended December 31, 2012.